

# STATE OF NEW YORK

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## IN SENATE

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Introduced by Sens. STAVISKY, ADDABBO, COMRIE, GOUNARDES, HOYLMAN, KAMINSKY, KENNEDY, MAYER, RAMOS, SALAZAR, SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education

AN ACT to amend the business corporation law, the partnership law and the limited liability company law, in relation to certified public accountants

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 1503 of the business corporation law is amended by  
2 adding a new paragraph (h) to read as follows:

3 (h) Any firm established for the business purpose of incorporating as  
4 a professional service corporation formed to lawfully engage in the  
5 practice of public accountancy, as such practice is respectively defined  
6 under article one hundred forty-nine of the education law shall be  
7 required to show (1) that a simple majority of the ownership of the  
8 firm, in terms of financial interests, and voting rights held by the  
9 firm's owners, belongs to individuals licensed to practice public  
10 accountancy in some state, and (2) that all shareholders of a profes-  
11 sional service corporation whose principal place of business is in this  
12 state, and who are engaged in the practice of public accountancy in this  
13 state, hold a valid license issued under section seventy-four hundred  
14 four of the education law. For purposes of this paragraph, "financial  
15 interest" means capital stock, capital accounts, capital contributions,  
16 capital interest, or interest in undistributed earnings of a business  
17 entity. Although firms may include non-licensee owners, the firm and  
18 its owners must comply with rules promulgated by the state board of  
19 regents. Notwithstanding the foregoing, a firm incorporated under this  
20 section may not have non-licensee owners if the firm's name includes the  
21 words "certified public accountant," or "certified public accountants,"  
22 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 that is incorporated under this section shall be a natural person who  
2 actively participates in the business of the firm or its affiliated  
3 entities. For purposes of this subdivision, "actively participate" means  
4 to provide services to clients or to otherwise individually take part in  
5 the day-to-day business or management of the firm. Such a firm shall  
6 have attached to its certificate of incorporation a certificate or  
7 certificates demonstrating the firm's compliance with this paragraph, in  
8 lieu of the certificate or certificates required by subparagraph (ii) of  
9 paragraph (b) of this section.

10 § 2. Section 1507 of the business corporation law is amended by adding  
11 a new paragraph (c) to read as follows:

12 (c) Any firm established for the business purpose of incorporating as  
13 a professional service corporation pursuant to paragraph (h) of section  
14 fifteen hundred three of this article may issue shares to individuals  
15 who are authorized by law to practice in this state the profession which  
16 such corporation is authorized to practice and who are or have been  
17 engaged in the practice of such profession in such corporation or a  
18 predecessor entity, or who will engage in the practice of such profes-  
19 sion in such corporation within thirty days of the date such shares are  
20 issued and may also issue shares to employees of the corporation not  
21 licensed as certified public accountants, provided that:

22 (i) at least fifty-one percent of the outstanding shares of stock of  
23 the corporation are owned by certified public accountants,

24 (ii) at least fifty-one percent of the directors are certified public  
25 accountants,

26 (iii) at least fifty-one percent of the officers are certified public  
27 accountants,

28 (iv) the president, the chairperson of the board of directors and the  
29 chief executive officer or officers are certified public accountants.  
30 No shareholder of a firm established for the business purpose of incor-  
31 porating as a professional service corporation pursuant to paragraph (h)  
32 of section fifteen hundred three of this article shall enter into a  
33 voting trust agreement, proxy or any other type of agreement vesting in  
34 another person, other than another shareholder of the same corporation,  
35 the authority to exercise voting power of any or all of his or her  
36 shares. All shares issued, agreements made or proxies granted in  
37 violation of this section shall be void.

38 § 3. Section 1508 of the business corporation law is amended by adding  
39 a new paragraph (c) to read as follows:

40 (c) The directors and officers of any firm established for the busi-  
41 ness purpose of incorporating as a professional service corporation  
42 pursuant to paragraph (h) of section fifteen hundred three of this arti-  
43 cle may include individuals who are not licensed to practice public  
44 accountancy, provided however that at least fifty-one percent of the  
45 directors, at least fifty-one percent of the officers and the president,  
46 the chairperson of the board of directors and the chief executive offi-  
47 cer or officers are authorized by law to practice in any state the  
48 profession which such corporation is authorized to practice, and are  
49 either shareholders of such corporation or engaged in the practice of  
50 their professions in such corporation.

51 § 4. Section 1509 of the business corporation law, as amended by chap-  
52 ter 550 of the laws of 2011, is amended to read as follows:

53 § 1509. Disqualification of shareholders, directors, officers and  
54 employees.

55 If any shareholder, director, officer or employee of a professional  
56 service corporation, including a design professional service corpo-

ration, who has been rendering professional service to the public becomes legally disqualified to practice his or her profession within this state, he or she shall sever all employment with, and financial interests (other than interests as a creditor) in, such corporation forthwith or as otherwise provided in section 1510 of this article. All provisions of law regulating the rendering of professional services by a person elected or appointed to a public office shall be applicable to a shareholder, director, officer and employee of such corporation in the same manner and to the same extent as if fully set forth herein. Such legal disqualification to practice his or her profession within this state shall be deemed to constitute an irrevocable offer by the disqualified shareholder to sell his or her shares to the corporation, pursuant to the provisions of section 1510 of this article or of the certificate of incorporation, by-laws or agreement among the corporation and all shareholders, whichever is applicable. Compliance with the terms of such offer shall be specifically enforceable in the courts of this state. A professional service corporation's failure to enforce compliance with this provision shall constitute a ground for forfeiture of its certificate of incorporation and its dissolution.

§ 5. Paragraph (a) of section 1511 of the business corporation law, as amended by chapter 550 of the laws of 2011, is amended and a new paragraph (c) is added to read as follows:

(a) No shareholder of a professional service corporation [~~or~~], including a design professional service corporation, may sell or transfer his or her shares in such corporation except to another individual who is eligible to have shares issued to him or her by such corporation or except in trust to another individual who would be eligible to receive shares if he or she were employed by the corporation. Nothing herein contained shall be construed to prohibit the transfer of shares by operation of law or by court decree. No transferee of shares by operation of law or court decree may vote the shares for any purpose whatsoever except with respect to corporate action under sections 909 and 1001 of this chapter. The restriction in the preceding sentence shall not apply, however, where such transferee would be eligible to have shares issued to him or her if he or she were an employee of the corporation and, if there are other shareholders, a majority of such other shareholders shall fail to redeem the shares so transferred, pursuant to section 1510 of this article, within sixty days of receiving written notice of such transfer. Any sale or transfer, except by operation of law or court decree or except for a corporation having only one shareholder, may be made only after the same shall have been approved by the board of directors, or at a shareholders' meeting specially called for such purpose by such proportion, not less than a majority, of the outstanding shares as may be provided in the certificate of incorporation or in the by-laws of such professional service corporation. At such shareholders' meeting the shares held by the shareholder proposing to sell or transfer his or her shares may not be voted or counted for any purpose, unless all shareholders consent that such shares be voted or counted. The certificate of incorporation or the by-laws of the professional service corporation, or the professional service corporation and the shareholders by private agreement, may provide, in lieu of or in addition to the foregoing provisions, for the alienation of shares and may require the redemption or purchase of such shares by such corporation at prices and in a manner specifically set forth therein. The existence of the restrictions on the sale or transfer of shares, as contained in this article and, if applicable, in the certificate of incorporation, by-laws, stock purchase or

1 stock redemption agreement, shall be noted conspicuously on the face or  
2 back of every certificate for shares issued by a professional service  
3 corporation. Any sale or transfer in violation of such restrictions  
4 shall be void.

5 (c) A firm established for the business purpose of incorporating as a  
6 professional service corporation pursuant to paragraph (h) of section  
7 fifteen hundred three of this article, shall purchase or redeem the  
8 shares of a non-licensed professional shareholder in the case of his or  
9 her termination of employment within thirty days after such termination.  
10 A firm established for the business purpose of incorporating as a  
11 professional service corporation pursuant to paragraph (h) of section  
12 fifteen hundred three of this article, shall not be required to purchase  
13 or redeem the shares of a terminated non-licensed professional share-  
14 holder if such shares, within thirty days after such termination, are  
15 sold or transferred to another employee of the corporation pursuant to  
16 this article.

17 § 6. Section 1514 of the business corporation law is amended by adding  
18 a new paragraph (c) to read as follows:

19 (c) Each firm established for the business purpose of incorporating as  
20 a professional service corporation pursuant to paragraph (h) of section  
21 fifteen hundred three of this article shall, at least once every three  
22 years on or before the date prescribed by the licensing authority,  
23 furnish a statement to the licensing authority listing the names and  
24 residence addresses of each shareholder, director and officer of such  
25 corporation and certify as the date of certification and at all times  
26 over the entire three year period that:

27 (i) at least fifty-one percent of the outstanding shares of stock of  
28 the corporation are and were owned by certified public accountants,

29 (ii) at least fifty-one percent of the directors are and were certi-  
30 fied public accountants,

31 (iii) at least fifty-one percent of the officers are and were certi-  
32 fied public accountants,

33 (iv) the president, the chairperson of the board of directors and the  
34 chief executive officer or officers are and were certified public  
35 accountants.

36 The statement shall be signed by the president or any certified public  
37 accountant vice-president and attested to by the secretary or any  
38 assistant secretary of the corporation.

39 § 7. Paragraph (d) of section 1525 of the business corporation law, as  
40 added by chapter 505 of the laws of 1983, is amended to read as follows:

41 (d) "Foreign professional service corporation" means a professional  
42 service corporation, whether or not denominated as such, organized under  
43 the laws of a jurisdiction other than this state, all of the sharehold-  
44 ers, directors and officers of which are authorized and licensed to  
45 practice the profession for which such corporation is licensed to do  
46 business; except that all shareholders, directors and officers of a  
47 foreign professional service corporation which provides health services  
48 in this state shall be licensed in this state. A foreign professional  
49 service corporation formed to lawfully engage in the practice of public  
50 accountancy, as such practice is defined under article one hundred  
51 forty-nine of the education law, or equivalent state law, shall be  
52 required to show (1) that a simple majority of the ownership of the  
53 firm, in terms of financial interests, and voting rights held by the  
54 firm's owners, belongs to individuals licensed to practice public  
55 accountancy in some state, and (2) that all shareholders of a foreign  
56 professional service corporation whose principal place of business is in

1 this state, and who are engaged in the practice of public accountancy in  
2 this state, hold a valid license issued under section seventy-four  
3 hundred four of the education law. For purposes of this paragraph,  
4 "financial interest" means capital stock, capital accounts, capital  
5 contributions, capital interest, or interest in undistributed earnings  
6 of a business entity. Although firms may include non-licensee owners,  
7 the firm and its owners must comply with rules promulgated by the state  
8 board of regents. Notwithstanding the foregoing, a firm registered  
9 under this section may not have non-licensee owners if the firm's name  
10 includes the words "certified public accountant," or "certified public  
11 accountants," or the abbreviations "CPA" or "CPAs". Each non-licensee  
12 owner of a firm that is operating under this section shall be a natural  
13 person who actively participates in the business of the firm or its  
14 affiliated entities, provided each beneficial owner of an equity inter-  
15 est in such entity is a natural person who actively participates in the  
16 business conducted by the firm or its affiliated entities. For purposes  
17 of this paragraph, "actively participate" means to provide services to  
18 clients or to otherwise individually take part in the day-to-day busi-  
19 ness or management of the firm.

20 § 8. Subdivision (q) of section 121-1500 of the partnership law, as  
21 amended by chapter 475 of the laws of 2014, is amended to read as  
22 follows:

23 (q) Each partner of a registered limited liability partnership formed  
24 to provide medical services in this state must be licensed pursuant to  
25 article 131 of the education law to practice medicine in this state and  
26 each partner of a registered limited liability partnership formed to  
27 provide dental services in this state must be licensed pursuant to arti-  
28 cle 133 of the education law to practice dentistry in this state. Each  
29 partner of a registered limited liability partnership formed to provide  
30 veterinary services in this state must be licensed pursuant to article  
31 135 of the education law to practice veterinary medicine in this state.  
32 Each partner of a registered limited liability partnership formed to  
33 provide public accountancy services, whose principal place of business  
34 is in this state and who provides public accountancy services, must be  
35 licensed pursuant to article 149 of the education law to practice public  
36 accountancy in this state. Each partner of a registered limited liabil-  
37 ity partnership formed to provide professional engineering, land survey-  
38 ing, geological services, architectural and/or landscape architectural  
39 services in this state must be licensed pursuant to article 145, article  
40 147 and/or article 148 of the education law to practice one or more of  
41 such professions in this state. Each partner of a registered limited  
42 liability partnership formed to provide licensed clinical social work  
43 services in this state must be licensed pursuant to article 154 of the  
44 education law to practice clinical social work in this state. Each part-  
45 ner of a registered limited liability partnership formed to provide  
46 creative arts therapy services in this state must be licensed pursuant  
47 to article 163 of the education law to practice creative arts therapy in  
48 this state. Each partner of a registered limited liability partnership  
49 formed to provide marriage and family therapy services in this state  
50 must be licensed pursuant to article 163 of the education law to prac-  
51 tice marriage and family therapy in this state. Each partner of a regis-  
52 tered limited liability partnership formed to provide mental health  
53 counseling services in this state must be licensed pursuant to article  
54 163 of the education law to practice mental health counseling in this  
55 state. Each partner of a registered limited liability partnership formed  
56 to provide psychoanalysis services in this state must be licensed pursu-



ant to article 163 of the education law to practice psychoanalysis in this state. Each partner of a registered limited liability partnership formed to provide applied behavior analysis service in this state must be licensed or certified pursuant to article 167 of the education law to practice applied behavior analysis in this state. A limited liability partnership formed to lawfully engage in the practice of public accountancy, as such practice is respectively defined under article 149 of the education law, shall be required to show (1) that a simple majority of the ownership of the firm, in terms of financial interests, and voting rights held by the firm's owners, belongs to individuals licensed to practice public accountancy in some state, and (2) that all partners of a limited liability partnership whose principal place of business is in this state, and who are engaged in the practice of public accountancy in this state, hold a valid license issued under section seventy-four hundred four of the education law. For purposes of this subdivision, "financial interest" means capital stock, capital accounts, capital contributions, capital interest, or interest in undistributed earnings of a business entity. Although firms may include non-licensee owners, the firm and its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm registered under this section may not have non-licensee owners if the firm's name includes the words "certified public accountant," or "certified public accounts," or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is formed under this section shall be (1) a natural person who actively participates in the business of the firm or its affiliated entities, or (2) an entity, including, but not limited to, a partnership or professional corporation, provided each beneficial owner of an equity interest in such entity is a natural person who actively participates in the business conducted by the firm or its affiliated entities. For purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-to-day business or management of the firm.

§ 9. Subdivision (q) of section 121-1502 of the partnership law, as amended by chapter 475 of the laws of 2014, is amended to read as follows:

(q) Each partner of a foreign limited liability partnership which provides medical services in this state must be licensed pursuant to article 131 of the education law to practice medicine in the state and each partner of a foreign limited liability partnership which provides dental services in the state must be licensed pursuant to article 133 of the education law to practice dentistry in this state. Each partner of a foreign limited liability partnership which provides veterinary service in the state shall be licensed pursuant to article 135 of the education law to practice veterinary medicine in this state. Each partner of a foreign limited liability partnership which provides professional engineering, land surveying, geological services, architectural and/or landscape architectural services in this state must be licensed pursuant to article 145, article 147 and/or article 148 of the education law to practice one or more of such professions. Each partner of a foreign registered limited liability partnership formed to provide public accountancy services, whose principal place of business is in this state and who provides public accountancy services, must be licensed pursuant to article 149 of the education law to practice public accountancy in this state. Each partner of a foreign limited liability partnership which provides licensed clinical social work services in this state must be licensed pursuant to article 154 of the education law to practice

1 licensed clinical social work in this state. Each partner of a foreign  
2 limited liability partnership which provides creative arts therapy  
3 services in this state must be licensed pursuant to article 163 of the  
4 education law to practice creative arts therapy in this state. Each  
5 partner of a foreign limited liability partnership which provides  
6 marriage and family therapy services in this state must be licensed  
7 pursuant to article 163 of the education law to practice marriage and  
8 family therapy in this state. Each partner of a foreign limited liabil-  
9 ity partnership which provides mental health counseling services in this  
10 state must be licensed pursuant to article 163 of the education law to  
11 practice mental health counseling in this state. Each partner of a  
12 foreign limited liability partnership which provides psychoanalysis  
13 services in this state must be licensed pursuant to article 163 of the  
14 education law to practice psychoanalysis in this state. Each partner of  
15 a foreign limited liability partnership which provides applied behavior  
16 analysis services in this state must be licensed or certified pursuant  
17 to article 167 of the education law to practice applied behavior analy-  
18 sis in this state. A foreign limited liability partnership formed to  
19 lawfully engage in the practice of public accountancy, as such practice  
20 is respectively defined under article 149 of the education law, shall be  
21 required to show (1) that a simple majority of the ownership of the  
22 firm, in terms of financial interests, and voting rights held by the  
23 firm's owners, belongs to individuals licensed to practice public  
24 accountancy in some state, and (2) that all partners of a foreign limit-  
25 ed liability partnership whose principal place of business is in this  
26 state, and who are engaged in the practice of public accountancy in this  
27 state, hold a valid license issued under section seventy-four hundred  
28 four of the education law. For purposes of this subdivision, "financial  
29 interest" means capital stock, capital accounts, capital contributions,  
30 capital interest, or interest in undistributed earnings of a business  
31 entity. Although firms may include non-licensee owners, the firm and  
32 its owners must comply with rules promulgated by the state board of  
33 regents. Notwithstanding the foregoing, a firm registered under this  
34 section may not have non-licensee owners if the firm's name includes the  
35 words "certified public accountant," or "certified public accountants,"  
36 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm  
37 that is formed under this section shall be (1) a natural person who  
38 actively participates in the business of the firm or its affiliated  
39 entities, or (2) an entity, including, but not limited to, a partnership  
40 or professional corporation, provided each beneficial owner of an equity  
41 interest in such entity is a natural person who actively participates in  
42 the business conducted by the firm or its affiliated entities. For  
43 purposes of this subdivision, "actively participate" means to provide  
44 services to clients or to otherwise individually take part in the day-  
45 to-day business or management of the firm.

46 § 10. Subdivision (h) of section 121-101 of the partnership law, as  
47 added by chapter 950 of the laws of 1990, is amended to read as follows:

48 (h) "Limited partnership" and "domestic limited partnership" mean,  
49 unless the context otherwise requires, a partnership (i) formed by two  
50 or more persons pursuant to this article or which complies with subdivi-  
51 sion (a) of section 121-1202 of this article and (ii) having one or more  
52 general partners and one or more limited partners. Notwithstanding any  
53 other provisions of law a limited partnership or domestic limited part-  
54 nership formed to lawfully engage in the practice of public accountancy,  
55 as such practice is respectively defined under article 149 of the educa-  
56 tion law shall be required to show (1) that a simple majority of the

1 ownership of the firm, in terms of financial interests, including owner-  
2 ship-based compensation, and voting rights held by the firm's owners,  
3 belongs to individuals licensed to practice public accountancy in some  
4 state, and (2) that all partners of a limited partnership or domestic  
5 limited partnership, whose principal place of business is in this state,  
6 and who are engaged in the practice of public accountancy in this state,  
7 hold a valid license issued under section seventy-four hundred four of  
8 the education law or are public accountants licensed under section  
9 seventy-four hundred five of the education law. Although firms may  
10 include non-licensee owners, the firm and its owners must comply with  
11 rules promulgated by the state board of regents. Notwithstanding the  
12 foregoing, a firm registered under this section may not have non-licen-  
13 see owners if the firm's name includes the words "certified public  
14 accountant," or "certified public accountants," or the abbreviations  
15 "CPA" or "CPAs". Each non-licensee owner of a firm that is registered  
16 under this section shall be (1) a natural person who actively partic-  
17 ipates in the business of the firm or its affiliated entities, or (2) an  
18 entity, including, but not limited to, a partnership or professional  
19 corporation, provided each beneficial owner of an equity interest in  
20 such entity is a natural person who actively participates in the busi-  
21 ness conducted by the firm or its affiliated entities. For purposes of  
22 this subdivision, "actively participate" means to provide services to  
23 clients or to otherwise individually take part in the day-to-day busi-  
24 ness or management of the firm.

25 § 11. Subdivision (b) of section 1207 of the limited liability company  
26 law, as amended by chapter 475 of the laws of 2014, is amended to read  
27 as follows:

28 (b) With respect to a professional service limited liability company  
29 formed to provide medical services as such services are defined in arti-  
30 cle 131 of the education law, each member of such limited liability  
31 company must be licensed pursuant to article 131 of the education law to  
32 practice medicine in this state. With respect to a professional service  
33 limited liability company formed to provide dental services as such  
34 services are defined in article 133 of the education law, each member of  
35 such limited liability company must be licensed pursuant to article 133  
36 of the education law to practice dentistry in this state. With respect  
37 to a professional service limited liability company formed to provide  
38 veterinary services as such services are defined in article 135 of the  
39 education law, each member of such limited liability company must be  
40 licensed pursuant to article 135 of the education law to practice veter-  
41 inary medicine in this state. With respect to a professional service  
42 limited liability company formed to provide professional engineering,  
43 land surveying, architectural, landscape architectural and/or geological  
44 services as such services are defined in article 145, article 147 and  
45 article 148 of the education law, each member of such limited liability  
46 company must be licensed pursuant to article 145, article 147 and/or  
47 article 148 of the education law to practice one or more of such  
48 professions in this state. With respect to a professional service  
49 limited liability company formed to provide public accountancy services  
50 as such services are defined in article 149 of the education law each  
51 member of such limited liability company whose principal place of busi-  
52 ness is in this state and who provides public accountancy services, must  
53 be licensed pursuant to article 149 of the education law to practice  
54 public accountancy in this state. With respect to a professional service  
55 limited liability company formed to provide licensed clinical social  
56 work services as such services are defined in article 154 of the educa-



tion law, each member of such limited liability company shall be licensed pursuant to article 154 of the education law to practice licensed clinical social work in this state. With respect to a professional service limited liability company formed to provide creative arts therapy services as such services are defined in article 163 of the education law, each member of such limited liability company must be licensed pursuant to article 163 of the education law to practice creative arts therapy in this state. With respect to a professional service limited liability company formed to provide marriage and family therapy services as such services are defined in article 163 of the education law, each member of such limited liability company must be licensed pursuant to article 163 of the education law to practice marriage and family therapy in this state. With respect to a professional service limited liability company formed to provide mental health counseling services as such services are defined in article 163 of the education law, each member of such limited liability company must be licensed pursuant to article 163 of the education law to practice mental health counseling in this state. With respect to a professional service limited liability company formed to provide psychoanalysis services as such services are defined in article 163 of the education law, each member of such limited liability company must be licensed pursuant to article 163 of the education law to practice psychoanalysis in this state. With respect to a professional service limited liability company formed to provide applied behavior analysis services as such services are defined in article 167 of the education law, each member of such limited liability company must be licensed or certified pursuant to article 167 of the education law to practice applied behavior analysis in this state. A professional service limited liability company formed to lawfully engage in the practice of public accountancy, as such practice is respectively defined under article 149 of the education law shall be required to show (1) that a simple majority of the ownership of the firm, in terms of financial interests, and voting rights held by the firm's owners, belongs to individuals licensed to practice public accountancy in some state, and (2) that all members of a limited professional service limited liability company, whose principal place of business is in this state, and who are engaged in the practice of public accountancy in this state, hold a valid license issued under section seventy-four hundred four of the education law. For purposes of this subdivision, "financial interest" means capital stock, capital accounts, capital contributions, capital interest, or interest in undistributed earnings of a business entity. Although firms may include non-licensee owners, the firm and its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm registered under this section may not have non-licensee owners if the firm's name includes the words "certified public accountant," or "certified public accountants," or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is registered under this section shall be (1) a natural person who actively participates in the business of the firm or its affiliated entities, or (2) an entity, including, but not limited to, a partnership or professional corporation, provided each beneficial owner of an equity interest in such entity is a natural person who actively participates in the business conducted by the firm or its affiliated entities. For purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-to-day business or management of the firm.

§ 12. Subdivision (a) of section 1301 of the limited liability company law, as amended by chapter 475 of the laws of 2014, is amended to read as follows:

(a) "Foreign professional service limited liability company" means a professional service limited liability company, whether or not denominated as such, organized under the laws of a jurisdiction other than this state, (i) each of whose members and managers, if any, is a professional authorized by law to render a professional service within this state and who is or has been engaged in the practice of such profession in such professional service limited liability company or a predecessor entity, or will engage in the practice of such profession in the professional service limited liability company within thirty days of the date such professional becomes a member, or each of whose members and managers, if any, is a professional at least one of such members is authorized by law to render a professional service within this state and who is or has been engaged in the practice of such profession in such professional service limited liability company or a predecessor entity, or will engage in the practice of such profession in the professional service limited liability company within thirty days of the date such professional becomes a member, or (ii) authorized by, or holding a license, certificate, registration or permit issued by the licensing authority pursuant to, the education law to render a professional service within this state; except that all members and managers, if any, of a foreign professional service limited liability company that provides health services in this state shall be licensed in this state. With respect to a foreign professional service limited liability company which provides veterinary services as such services are defined in article 135 of the education law, each member of such foreign professional service limited liability company shall be licensed pursuant to article 135 of the education law to practice veterinary medicine. With respect to a foreign professional service limited liability company which provides medical services as such services are defined in article 131 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 131 of the education law to practice medicine in this state. With respect to a foreign professional service limited liability company which provides dental services as such services are defined in article 133 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 133 of the education law to practice dentistry in this state. With respect to a foreign professional service limited liability company which provides professional engineering, land surveying, geologic, architectural and/or landscape architectural services as such services are defined in article 145, article 147 and article 148 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 145, article 147 and/or article 148 of the education law to practice one or more of such professions in this state. With respect to a foreign professional service limited liability company which provides public accountancy services as such services are defined in article 149 of the education law, each member of such foreign professional service limited liability company whose principal place of business is in this state and who provides public accountancy services, shall be licensed pursuant to article 149 of the education law to practice public accountancy in this state. With respect to a foreign professional service limited liability company which provides licensed clinical social work services as such services are defined in article 154 of

1 the education law, each member of such foreign professional service  
2 limited liability company shall be licensed pursuant to article 154 of  
3 the education law to practice clinical social work in this state. With  
4 respect to a foreign professional service limited liability company  
5 which provides creative arts therapy services as such services are  
6 defined in article 163 of the education law, each member of such foreign  
7 professional service limited liability company must be licensed pursuant  
8 to article 163 of the education law to practice creative arts therapy in  
9 this state. With respect to a foreign professional service limited  
10 liability company which provides marriage and family therapy services as  
11 such services are defined in article 163 of the education law, each  
12 member of such foreign professional service limited liability company  
13 must be licensed pursuant to article 163 of the education law to prac-  
14 tice marriage and family therapy in this state. With respect to a  
15 foreign professional service limited liability company which provides  
16 mental health counseling services as such services are defined in arti-  
17 cle 163 of the education law, each member of such foreign professional  
18 service limited liability company must be licensed pursuant to article  
19 163 of the education law to practice mental health counseling in this  
20 state. With respect to a foreign professional service limited liability  
21 company which provides psychoanalysis services as such services are  
22 defined in article 163 of the education law, each member of such foreign  
23 professional service limited liability company must be licensed pursuant  
24 to article 163 of the education law to practice psychoanalysis in this  
25 state. With respect to a foreign professional service limited liability  
26 company which provides applied behavior analysis services as such  
27 services are defined in article 167 of the education law, each member of  
28 such foreign professional service limited liability company must be  
29 licensed or certified pursuant to article 167 of the education law to  
30 practice applied behavior analysis in this state. A foreign professional  
31 service limited liability company formed to lawfully engage in the prac-  
32 tice of public accountancy, as such practice is respectively defined  
33 under article 149 of the education law shall be required to show (1)  
34 that a simple majority of the ownership of the firm, in terms of finan-  
35 cial interests, and voting rights held by the firm's owners, belongs to  
36 individuals licensed to practice public accountancy in some state, and  
37 (2) that all members of a foreign limited professional service limited  
38 liability company, whose principal place of business is in this state,  
39 and who are engaged in the practice of public accountancy in this state,  
40 hold a valid license issued under section seventy-four hundred four of  
41 the education law. For purposes of this subdivision, "financial inter-  
42 est" means capital stock, capital accounts, capital contributions, capi-  
43 tal interest, or interest in undistributed earnings of a business enti-  
44 ty. Although firms may include non-licensee owners, the firm and its  
45 owners must comply with rules promulgated by the state board of regents.  
46 Notwithstanding the foregoing, a firm registered under this section may  
47 not have non-licensee owners if the firm's name includes the words  
48 "certified public accountant," or "certified public accountants," or the  
49 abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is  
50 registered under this section shall be (1) a natural person who actively  
51 participates in the business of the firm or its affiliated entities, or  
52 (2) an entity, including, but not limited to, a partnership or profes-  
53 sional corporation, provided each beneficial owner of an equity interest  
54 in such entity is a natural person who actively participates in the  
55 business conducted by the firm or its affiliated entities. For purposes  
56 of this subdivision, "actively participate" means to provide services to

1 clients or to otherwise individually take part in the day-to-day busi-  
2 ness or management of the firm.

3 § 13. Notwithstanding any other provision of law to the contrary,  
4 there is hereby established a fee for each non-licensee owner of a firm  
5 that is registered in this state to lawfully engage in the practice of  
6 public accountancy. Such non-licensee owner shall pay a fee of nine  
7 hundred dollars to the department of education on a triennial basis.

8 § 14. This act shall take effect immediately.